

TRANSPORTATION PARTNERSHIPS FUND

FINANCIAL STATEMENTS

For the Year Ending March 31, 2013

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Transportation Partnership Fund, which comprise the statements of financial position as at March 31, 2013, and the statements of operations and changes in net assets and of the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

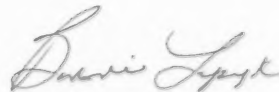
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Transportation Partnership Fund as at March 31, 2013, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 16, 2013



Bonnie Lysyk, MBA, CA
Provincial Auditor

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets:		
Due from General Revenue Fund (Note 3)	\$ 8,230,222	\$ 6,912,372
Accounts Receivable	326,382	1,498,282
	<u>\$ 8,556,604</u>	<u>\$ 8,410,654</u>
Long Term Assets:		
Loans Receivable Less Concessionary Allowance (Note 5)	2,038,253	2,175,448
	<u>\$ 10,594,857</u>	<u>\$ 10,586,102</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ -	\$ 95,789
Deferred Revenue	-	143,028
Total Liabilities	<u>\$ -</u>	<u>\$ 238,817</u>
Net Assets (Statement 2)	<u>\$ 10,594,857</u>	<u>\$ 10,347,285</u>

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
For The Year Ended March 31

	2013 Budget	2013 Actual	2012 Actual
Revenue			
Transportation Partnerships Agreements	\$ 700,000	\$ 1,552,230	\$ 1,190,552
Interest Revenue (Note 3)	10,000	87,372	83,171
Amortization of Loan Discount (Note 5)	232,000	103,872	103,978
Other Revenue	17,000	33,280	34,606
Total Revenue	\$ 959,000	\$ 1,776,754	\$ 1,412,307
Expenses			
Highway Improvement Projects (Note 4)	\$ 2,000,000	\$ 1,469,640	\$ 2,092,136
General Transfers			166,495
Technology Manufacturing Costs	-	9,542	5,758
Administrative Expenses (Note 4)	50,000	50,000	50,000
Total Expense	\$ 2,050,000	\$ 1,529,182	\$ 2,314,389
(Deficit) Surplus for the year	\$ (1,091,000)	\$ 247,572	\$ (902,082)
Net Assets, beginning of year	10,347,285	10,347,285	11,249,367
Net Assets, end of year (Statement 1)	\$ 9,256,285	\$ 10,594,857	\$ 10,347,285

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	<u>2013</u>	<u>2012</u>
Cash flows from (used in) operating activities:		
Cash Receipts From Transportation Companies	\$ 2,726,325	\$ 573,456
Cash Receipts From Other Revenue	(109,748)	34,606
Cash Receipts From Short-Line Railways	241,067	173,467
Interest Received	85,177	86,847
Cash Paid For Highway Improvement Projects	(1,565,429)	(2,213,317)
Cash Paid For Manufacturing Costs	(9,542)	(2,879)
Cash Loans Paid To Short-Line Railways	-	(400,000)
Cash Paid For General Transfers	-	(60,880)
Cash Paid For Administration	(50,000)	(50,000)
Net Increase (Decrease) in cash	\$ 1,317,850	\$ (1,858,700)
Due from General Revenue Fund, beginning of year	6,912,372	8,771,072
Due from General Revenue Fund, end of year	<u>\$ 8,230,222</u>	<u>\$ 6,912,372</u>

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2013

1. Authority and Definition of Entity

The Transportation Partnerships Fund was established effective July 1, 1997 pursuant to Section 8 of *The Highways and Transportation Act, 1997*. The purpose of the Fund is to generate revenues to be used for highway improvement projects. The Transportation Partnerships Fund generates revenues subject to the terms of trucking partnership agreements in which the transportation companies pay the Fund a portion of cost savings achieved from being able to haul overweight and/or over-dimension loads. Additional revenues are raised through issuing permits and the marketing of transportation related technology and expertise.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an "other government organization". The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board. Because the Fund has no non-financial assets, net assets at the beginning and end of the year equals accumulated surplus for the same period. The Fund adopted Canadian public sector accounting standards PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3410 Government Transfers and PS 3450 Financial Instruments during the year. The adoption of these standards had no significant impact on the Fund's financial results. The following accounting principles are considered significant:

- a) Revenue recognition –
 - I. Transportation Partnerships Agreement revenue - recognized in the period the truck haul savings and fees are realized.
 - II. Transfers are recognized as revenue when the Fund has met the eligibility criteria, if any, and a reasonable estimate of the amount can be made.
- b) Revenue –

Pursuant to Transportation Partnership Agreements with transportation companies, a portion of revenue received is used for highway improvement projects on specified highways.
- c) Use of estimates –

These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Due from General Revenue Fund

The monies of the Transportation Partnerships Fund are deposited in the General Revenue Fund. Under this arrangement, earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate and the Transportation Partnerships Fund's average daily bank account balance. The effective interest in the year was 1.09% (2012 – 1.05%).

4. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown agencies that the Government jointly controls or significantly influences. These transactions are in the normal course of operations and are recorded at agreed upon exchange amounts.

Expenses – Administration	2013	2012
Ministry of Highways and Infrastructure	\$50,000	\$ 50,000
Revenues – Transportation Partnerships Agreements		
	2013	2012
L & M Wood Products Limited	\$ 25,246	\$ 14,205
Meadow Lake OSB Limited	3,809	33,210
Ministry of Highways and Infrastructure	6,033	3,502
Mistik Forest Management Ltd	75,458	48,820
SGL	75,000	150,000
Total	\$ 185,546	\$ 249,737
Accounts Receivable		
	2013	2012
L & M Wood Products Limited	\$ 12,374	\$ 7,453
Meadow Lake OSB Limited	3,014	8,363
Ministry of Highways and Infrastructure	3,833	1,297,971
Mistik Forest Management Ltd	11,273	516
Total	\$ 30,494	\$ 1,314,303

Highway improvement projects undertaken by the Fund are repairs and betterments to assets of the Ministry of Highways and Infrastructure. Projects of a capital nature totaling \$1,396,730 (2012 - \$1,942,034) were transferred by the Fund to the Ministry. The Ministry records and amortizes these assets based on Ministry capitalization policies and thresholds.

5. Loans Receivable

The Fund provided loans of \$0 in 2013 (2012 loans - \$400,000; Total loans advanced to date - \$3.293 million) in financial assistance to eligible Short Line Railway companies under *The Railway Line (Short Line) Financial Assistance Regulations*. The loans are interest free and to be paid back over 15 years, with the first repayment due in the fourth year.

The loans are accounted for as a discounted loan on the Statement of Financial Position. Due to the concessionary nature of the loan, the Fund recognized a discount of \$0 in 2013 (2012 - \$105,615). A concessionary allowance has been recorded and will be amortized to revenue over the term of the loan. The total concessionary allowance balance is \$506,013 in 2013 (2012 - \$609,886).

No valuation allowance was established in the current year. An allowance will be recorded if at any point the loan is not considered payable in full.

Short Line Rail Loan Continuity Schedule March 31, 2013

Company Name	LOANS				Net Balance
	Beginning Balance	Additions	Repayments	Ending Balance	
Westcan Rail (Sask.) Ltd.	\$ 513,333		\$ 73,333	\$ 440,000	
Fife Lake Railway Ltd.	80,000		10,000	70,000	
Torch River Rail Inc	106,667		10,667	96,000	
Great Sandhills	874,133		79,467	794,666	
Last Mountain Rail	811,200		67,600	743,600	
Long Creek Railroad	400,000			400,000	
	\$ 2,785,333	\$ -	\$ 241,067	\$ 2,544,266	
Company Name	CONCESSIONARY ALLOWANCE				Net Balance
	Beginning Balance	Allowance Addition	Allowance Amortization	Ending Balance	
Westcan Rail (Sask.) Ltd.	\$ 71,771		\$ 18,467	\$ 53,304	\$ 386,696
Fife Lake Railway Ltd.	13,136		2,977	10,159	59,841
Torch River Rail Inc	22,342		4,322	18,020	77,980
Great Sandhills	206,179		34,086	172,093	622,573
Last Mountain Rail	191,020		31,060	159,960	583,640
Long Creek Railroad	105,437		12,960	92,477	307,523
	\$ 609,885	\$ -	\$ 103,872	\$ 506,013	\$ 2,038,253